

P-405/CP-90-84 ORDER ADOPTING RATES FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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| Don Storm | Chair |
| Tom Burton | Commissioner |
| Cynthia A. Kitlinski | Commissioner |
| Dee Knaak | Commissioner |
| Norma McKanna | Commissioner |

In the Matter of a Petition for
Extended Area Service from the
Northrop Exchange to the Truman
Exchange

ISSUE DATE: January 28, 1993

DOCKET NO. P-405/CP-90-84

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PROCEDURAL HISTORY

I. Proceedings to Date

On February 12, 1990 a group of telephone subscribers from the Northrop exchange filed a petition for Extended Area Service (EAS) to the Truman exchange. The Commission began processing the petition, and during March and April, 1990, Vista Telephone Company, which serves both exchanges, filed a traffic study, a cost study, and proposed rates.

During the 1990 session, the Minnesota Legislature enacted new legislation changing the standards for granting EAS petitions and setting EAS rates. Minn. Stat. § 237.161 (1990). On April 26, 1991 the Company filed revised traffic and cost studies, and new proposed rates. The Department of Public Service (the Department) filed a report on these filings on June 4, 1991.

On January 27, 1992 the Company filed another cost study and new proposed rates. The Department filed a report on May 26, 1992. The report recommended that the Commission change its understanding of the statutory term, "affected telephone company," which affects the calculation of rates. Apart from that, the report recommended accepting the Company's filings and polling Northrop subscribers on whether they wanted EAS installed at the proposed rates.

The matter came before the Commission on January 12, 1992.

FINDINGS AND CONCLUSIONS

II. The Statutory Criteria

The EAS statute sets three requirements for granting petitions for Extended Area Service between telephone exchanges:

- (1) The petitioning exchange must be contiguous to the exchange or local calling area to which Extended Area Service is sought;
- (2) At least 50% of the subscribers in the petitioning exchange must make one or more calls per month to the exchange or local calling area to which Extended Area Service is sought;
- (3) A majority of the subscribers in the petitioning exchange who respond to Commission polling must favor installation of Extended Area Service.
(This requirement can be waived if the Commission and all parties agree that no polling is necessary.)

Minn. Stat. § 237.161, subd. 1 (Supp. 1991).

The first two statutory requirements are clearly met. The Northrop and Truman exchanges are contiguous; traffic studies show that more than 50% of Northrop subscribers make at least one call per month to the Truman exchange. Polling is therefore the next step in the process, barring waiver of that requirement. No party has recommended waiver, and the Commission finds waiver inappropriate. Polling is necessary in this case to determine subscriber willingness to pay the rate additives necessary to support Extended Area Service.

III. Polling Rates

A. The "Affected Telephone Company" Issue

The Department urged the Commission to treat interexchange carriers serving the Northrop-Truman route as "affected telephone companies" under the EAS statute. Under this interpretation, the interexchange carriers would have to be held income-neutral in calculating EAS rates. The Commission has rejected this approach in previous cases, after exhaustive briefing, oral argument, and careful analysis. The Commission will not make a different determination here.

B. Allocating Costs Between the Two Exchanges

The statute requires the costs of Extended Area Service to be apportioned between the exchanges served, with the petitioning exchange bearing between 50% and 75% of those costs. Minn. Stat. § 237.161, subd. 3 (1990). The statute provides no standards on apportioning costs. The Company filed proposed rates using a 50/50, 60/40, and 75/25 split. Neither the Company nor the Department took a position on cost apportionment.

The Commission finds that in this case a 75/25 cost split is appropriate. This determination is based on balancing the benefit each exchange would gain from EAS, the EAS rates each exchange would pay under different cost apportionment ratios, and the fact that the non-petitioning exchange will have no voice in the EAS decision. The Commission believes the 75/25 ratio most closely approximates the results of this balancing process. Rate additives reflecting the 75/25 ratio are set forth below.

| | <u>Northrop</u> | <u>Truman</u> |
|------------------------------|-----------------|---------------|
| Business 1 Party | \$11.89 | \$.81 |
| Business 4 Party | 9.23 | --- |
| Trunk | 17.46 | 1.25 |
| Semi-Public | 11.89 | 11.89 |
| Customer-Owned Coin-Operated | 11.89 | 11.89 |
| Residential 1 Party | 5.31 | .36 |
| Residential 2 Party | 4.51 | .31 |
| Residential 4 Party | 5.47 | --- |

The Commission will order polling at the rates set forth above and will direct the Company to extend its full cooperation in completing polling as expeditiously as possible.

ORDER

1. Subscribers in the Northrop exchange shall be polled to determine if a majority of those responding to the poll favor installation of Extended Area Service with the Truman exchange at the rates set forth above.
2. Vista Telephone Company shall cooperate with Commission staff and other agents of the Commission to expedite the polling of Northrop subscribers.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)